

_____ BILL NO. _____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT ESTABLISHING A DEFERRED RETIREMENT OPTION PLAN IN THE SHERIFFS' RETIREMENT SYSTEM; SPECIFYING DEFINITIONS, ELIGIBILITY, AND PARTICIPATION CRITERIA; PROVIDING FOR SURVIVORSHIP BENEFITS AND DISTRIBUTION OPTIONS; AND PROVIDING EFFECTIVE DATES."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [Sections 1 through 8] may be cited as the "sheriffs' deferred retirement option plan" or the "sheriffs' DROP".

NEW SECTION. **Section 2. Definitions.** Unless the context requires otherwise, as used in [sections 1 through 8], the following definitions apply:

(1) "DROP" means the sheriffs' deferred retirement option plan established pursuant to [sections 1 through 8].

(2) "DROP benefit" means the lump-sum benefit calculated and distributed as provided in [sections 1 through 8].

(3) "DROP period" means the period of time that a member irrevocably elects to participate in the DROP pursuant to [section 4].

(4) "Monthly DROP accrual" means the amount equal to the monthly benefit that would have been payable to the participant had the participant terminated service and retired.

(5) "Participant" means a member of the retirement system who has elected to participate in the DROP pursuant to [sections 1 through 8].

NEW SECTION. **Section 3. Deferred retirement option plan established -- compliance with federal law -- rulemaking.** (1) The board shall establish a DROP for eligible members of the sheriffs' retirement system who elect to participate.

(2) The board shall administer the DROP in compliance with the Internal Revenue Code and the

1 applicable rules, regulations, and determinations of the internal revenue service.

2 (3) The board may adopt rules to administer [sections 1 through 8].

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4 **NEW SECTION. Section 4. Eligibility -- participation criteria -- membership status -- service**
5 **interruptions.**(1) Any member eligible under [section 5] may elect to participate in the DROP by filing a one-time
6 irrevocable election with the board on a form prescribed by the board.

7 (2) A participant in the DROP shall participate for a minimum of 1 month and may not participate for
8 more than 5 years.

9 (3) A participant may participate in the DROP only once.

10 (4) A participant remains a member of the retirement system but may not receive membership service
11 or service credit in the system for the duration of the member's DROP period.

12 (5) If participation is interrupted by military service or other temporary absence from work and the
13 participant has not received any distribution from the DROP, then the duration of the absence may not be
14 included in calculating the DROP period.

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16 **NEW SECTION. Section 5. Eligibility criteria.** A member is eligible and may elect to participate in
17 the DROP if:

18 (1) the member has completed 20 years or more of membership service; or

19 (2) the member has completed at least 5 years of membership service and reached 50 years of age.

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21 **NEW SECTION. Section 6. Survivorship benefits.** (1) If a participant dies prior to the receipt of the
22 DROP benefit pursuant to [section 8], the participant's surviving spouse or dependent child is entitled to receive
23 a lump-sum payment equal to the participant's DROP benefit and the member's accumulated contributions
24 minus any benefits paid from the member's account, including monthly DROP accruals.

25 (2) If there is no surviving spouse or dependent child, the designated beneficiary is entitled to receive
26 a lump-sum payment equal to the participant's DROP benefit.

27 (3) The benefit paid pursuant to this section must include interest reflecting the retirement system's
28 annual investment earnings from the date the member's DROP period commenced.

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30 **NEW SECTION. Section 7. Employment and benefits after DROP period.** (1) Except as otherwise

provided in this section, if a member continues employment in a covered position after the DROP period ends, the board shall consider the member newly hired as of the date the DROP period ended.

(2) When a member, after the end of the DROP period, continues employment in a covered position, employer contributions under 19-7-404 and member contributions under 19-7-403 must continue to be made to the retirement system.

(3) A member who, after the end of the DROP period, continues employment in a covered position:

(a) is immediately vested for benefits accrued subsequent to the end of the DROP period; and

(b) is, upon terminating service, entitled to:

(i) the member's service retirement benefit earned prior to the DROP period, including any postretirement benefit adjustment for which the member is eligible under this chapter;

(ii) a service retirement benefit based on the member's service credit and final average compensation during membership subsequent to the end of the DROP period, including any postretirement benefit adjustment for which the member is eligible under this chapter; and

(iii) the member's DROP benefit.

NEW SECTION. Section 8. Distribution of DROP benefit. (1) Upon termination of service, a participant is entitled to:

(a) receive a lump-sum distribution of the participant's DROP benefit;

(b) roll the participant's DROP benefit into another eligible retirement plan in a manner prescribed and authorized by the board; or

(c) any other distribution or method of payment of the DROP benefit approved by the board.

(2) A distribution pursuant to this section is subject to the provisions of 19-2-907 and 19-2-909 and all other applicable provisions of Title 19 and the Internal Revenue Code.

(3) The amount of a distribution, rollover, transfer, or other payment of a DROP benefit pursuant to this section must include interest reflecting the retirement system's annual investment earnings from the date the member's DROP period commenced.

NEW SECTION. Section 9. Board to seek commissioner's ruling. The public employees' retirement board shall, as soon as possible, request in writing a ruling from the commissioner of internal revenue as to whether the deferred retirement option plan established pursuant to [sections 1 through 8] constitutes a qualified

1 plan pursuant to section 401(a) of the Internal Revenue Code. The board shall notify the secretary of state and
2 code commissioner when the commissioner of internal revenue has issued a favorable determination.

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4 **NEW SECTION. Section 10. Codification instruction.** [Sections 1 through 8] are intended to be
5 codified as an integral part of Title 19, chapter 7, and the provisions of Title 19, chapter 7, apply to [sections 1
6 through 8].

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8 **NEW SECTION. Section 11. Effective dates.** (1) Except as provided in subsection (2), [this act] is
9 effective on the board's notification to the secretary of state and the code commissioner of a favorable
10 determination pursuant to [section 9].

11 (2) [Sections 1 through 3, 9, 10, and this section] are effective on passage and approval.

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